

NuEnergy Gas Limited

ABN 50 009 126 238



Notice of Annual General Meeting

This is an important document. Please read it carefully.

If you are unable to attend the Annual General Meeting, please complete the proxy form enclosed and return it in accordance with the instructions set out on that form.

The Annual General Meeting of the Company will be held at the offices of KPMG, Level 15, 10 Shelley Street, Sydney NSW 2000 at 11 am (Sydney time) on Friday, 31 October 2014.

NuEnergy Gas Limited

ABN 50 009 126 238

NOTICE OF 2014 ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of NuEnergy Gas Limited for 2014 will be held at the offices of KPMG, Level 15, 10 Shelley Street, Sydney NSW 2000, commencing at 11 am (Sydney time) on 31 October 2014.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

Pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 7.00 pm (Sydney time) on 29 October 2014.

The terms and abbreviations used in this Notice and Explanatory Statement are defined in the attached Glossary.

AGENDA

BUSINESS

Consideration of Financial Reports of the Directors and Auditors

To receive and consider the Financial Report together with the Directors' Report and the Auditor's Report for the Company and its controlled entities for the year ending 30 June 2014.

Shareholders will be given reasonable opportunity to ask questions about or make comments on the management of the Company.

Resolution 1 – Adoption of Remuneration Report

To consider, and if thought fit, to pass the following Resolution as a **non-binding resolution**:

"To adopt the Remuneration Report as contained in the Company's Annual Financial Report for the financial year ended 30 June 2014."

Resolution 2 – Election of Director – Mr Kee Yong Wah

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

"That Mr Kee Yong Wah, appointed to the Board of Directors on 21 August 2014, who will retire at the close of the meeting in accordance with Article 6.3(j) of the Company's Constitution and ASX Listing Rule 14.4, and being eligible, offers himself for re-election, be re-elected as a Director of the Company."

Resolution 3 – Election of Director – Mr Kong Kok Keong

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

"That Mr Kong Kok Keong, appointed to the Board of Directors on 21 August 2014, who will retire at the close of the meeting in accordance with Article 6.3(j) of the Company's Constitution and ASX Listing Rule 14.4, and being eligible, offers himself for re-election, be re-elected as a Director of the Company."

Resolution 4 - Retirement by Rotation and Re-Election of Director– Mr Graeme Robertson

To consider, and if thought fit, to pass the following Resolution as an **ordinary resolution**:

“Pursuant to Article 6.3(c) and Article 6.3(f) of the Company’s Constitution and Listing Rule 14.4 and for all other purposes, Mr Graeme Robertson is re-elected as a Director of the Company.”

Resolution 5 - Approval of Share issue for the purpose of Listing Rule 7.4

To consider, and if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That for the purposes of Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and issue of 50,523,105 Shares on the terms set out in the Explanatory Statement.”

Resolution 6 – Approval of acquisition of Relevant Interests in Shares by the NCE Parties

To consider, and if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, conditional on the passing of Resolution 7, for the purposes of section 611 Item 7 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the NCE Parties to acquire a Relevant Interest in 166,666,667 Shares, which will increase the Voting Power of the NCE Parties to 55.43% of the Company, in accordance with the terms and conditions summarised in the Explanatory Statement.”

Resolution 7 – Approval of acquisition of Relevant Interests in Shares by the GER Parties

To consider, and if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, conditional on the passing of Resolution 6, for the purposes of section 611 Item 7 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for GER to acquire a Relevant Interest in 166,666,666 Shares, which will increase the Voting Power of the GER Parties to 55.43% of the Company, in accordance with the terms and conditions summarised in the Explanatory Statement.”

Resolution 8 - Approval of issue of Equity Securities for the purpose of ASX Listing Rule 7.1A

To consider, and if thought fit, to pass the following Resolution as a **special resolution**:

“That for the purposes of Listing Rule 7.1A and for all other purposes, the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the prescribed formula in Listing Rule 7.1A.2, be approved on the terms set out in the Explanatory Statement.”

Resolution 9 – Appointment of Director – Dato’ Sri Dr Goh Tian Chuan

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, conditional on the passing of Resolutions 6 and 7, Dato’ Sri Dr Goh Tian Chuan be appointed as a Director of the Company in accordance with Article 6.2(b) of the Company’s constitution with effect on and from the completion of the issue of the Placement Shares in accordance with the terms of the SSA.”

Resolution 10 – Approval of Share issue for the purpose of Listing Rule 7.4

To consider, and if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That for the purposes of Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and issue of 33,080,228 Shares on the terms set out in the Explanatory Statement.”

Voting Exclusion Statement

The following voting exclusion statement applies to the Resolutions under the Listing Rules or, where applicable, the provisions of the *Corporations Act*, to the following persons ("**Excluded Persons**"). The Company will disregard any votes on the following Resolutions cast by the following Excluded Persons and Associates of those persons:

Resolution No.	Title	Excluded Persons
1	Adoption of Remuneration Report	A member of the KMP, or a Closely Related Party of the KMP, whose remuneration details are included in the remuneration report for the year ended 30 June 2014.
5	Approval of Share issue for the purpose of Listing Rule 7.4	NCE, GER and each of their respective Associates.
6	Approval of acquisition of Relevant Interest in Shares by the NCE Parties	The NCE Parties, the GER Parties, each of their respective Associates and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.
7	Approval of acquisition of Relevant Interest in Shares by the GER Parties	The NCE Parties, the GER Parties, each of their respective Associates and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.
8	Approval of issue of Equity Securities for the purpose of ASX Listing Rule 7.1A	A person (and any Associates of such person) who may participate in the 10% Placement Capacity and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.
10	Approval of Share issue for the purpose of Listing Rule 7.4	NCE, GER and each of their respective Associates.

However, the Company need not disregard a vote in relation to Resolutions 1, 5, 6, 7, 8 and 10 if it is cast by:

1. a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
2. the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

A vote may be cast on Resolution 1 by a KMP or a Closely Related Party of a KMP if:

1. the KMP is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on these Resolutions as described above; or
2. the KMP is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the KMP.

Independent Expert's Report

Shareholders should carefully consider the accompanying Independent Expert's Report prepared by Hall Chadwick for the purposes of Shareholder approval for Resolution 6 and Resolution 7 under Section 611 (Item 7) of the *Corporations Act*. The Independent Expert's Report comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company. The Independent Expert concludes that the proposed transaction is **FAIR AND REASONABLE** to the non-associated Shareholders.

Voting by Proxy

The *Corporations Act* now places certain restrictions on the ability of KMP and their Closely Related Parties to vote on resolutions connected directly or indirectly with the remuneration of the Company's KMP.

For those reasons, Shareholders who intend to vote by proxy should carefully consider the identity of their proxy and consider appointing someone other than one of the Company's KMP as such proxies may not be able to vote undirected proxies.

If you appoint the Chairman as your proxy by marking the box in **STEP 1** on the Proxy Form then you are providing express authorisation for the Chairman to vote on all Resolutions in accordance with his intentions as set out in this Notice and the Proxy Form (except where you have indicated a different voting intention by marking the voting boxes in **STEP 2** on the Proxy Form).

This express authorisation acknowledges that the Chairman may exercise your proxy in relation to Resolution 1 even though it is connected with remuneration of a member of KMP is a Resolution in respect of which the Chairman of the meeting has an interest.

Votes cast by the Chairman on Resolution 1 other than authorised proxy holder will be disregarded because of his interest in the outcome of the Resolution.

The Chairman intends to vote available proxies in favour of all Resolutions.

Dated this 24th day of September 2014.

By Order of the Board



Graeme Robertson
Chairman and Managing Director

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held at 11 am (Sydney time) at Level 15, 10 Shelley Street, Sydney NSW 2000 on 31 October 2014.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

Financial Statements and Reports

The *Corporations Act* requires the Company to place its Financial Report, Directors' Report and Auditor's Report for the last financial year before the Annual General Meeting. No resolution is required for this Item, but Shareholders will be given a reasonable opportunity to ask questions and to make comments on the reports and the management and performance of the Company.

The Company's Auditor will also be present at the meeting and Shareholders will be given the opportunity to ask the Auditor questions about the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company and the independence of the Auditor.

The Company's 2014 Annual Report has previously been sent to Shareholders and is available on the Company's website at www.nuenergygas.com.

1. Resolution 1 – Adoption of Remuneration Report

In accordance with Section 250R(2) of the *Corporations Act*, the Company must put a resolution that the Remuneration Report be adopted to vote at the Annual General Meeting. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

The Remuneration Report is the section of the Directors' Report under the heading "Remuneration Report" of the Company's 2014 Annual Report. The Remuneration Report includes all of the information required by Section 300A of the *Corporations Act*, including:

- (i) board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of Directors, secretaries and senior managers of the Company;
- (ii) discussion of the relationship between such policy and the Company's performance; and
- (iii) the prescribed details in relation to the remuneration of each Director and certain executives.

The vote on the Resolution for adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, under the *Corporations Act*, if at least 25% of the votes cast on the Resolution at the Annual General Meeting are against adoption of the Remuneration Report, then:

- (i) if comments are made on the Remuneration Report at the Annual General Meeting, the Company's remuneration report for the financial year ending 30 June 2015 will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and
- (ii) if, at the Company's 2015 Annual General Meeting, at least 25% of the votes cast on the Resolution for adoption of the Remuneration Report for the 2015 financial year are against its adoption, the Company will be required to put to Shareholders a Resolution proposing that a general meeting ("**Spill Meeting**") be called to consider the election of Directors of the Company ("**Spill Resolution**").

The Spill Meeting must be held within 90 days of the date of the 2015 Annual General Meeting. For any Spill Resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it. If a Spill Resolution is passed, all of the Directors (other than the Managing Director and any Director taking office since the Directors resolved to put the Directors' Report to that AGM) will cease to hold office immediately before the end of the Spill Meeting unless re-elected at that meeting.

The Remuneration Report forms part of the Directors' Report which has unanimously been adopted by resolution of the Board. The Directors have resolved in favour of the remuneration report and commend it to Shareholders for adoption.

An opportunity will be provided for discussion of the Remuneration Report at the meeting. In relation to the approval of the Remuneration Report of the Company for 2013, less than 25% of the votes cast on that resolution were against it.

The Chairman intends to vote all available proxies in favour of Resolution 1.

Directors' Recommendation

The Directors recommend that Shareholders vote **in favour** of the adoption of the Remuneration Report.

2. Resolution 2 – Election of director – Mr Kee Yong Wah

Mr Kee Yong Wah was appointed to the Board as an additional Director on 21 August 2014. In accordance with Article 6.3(j) of the Constitution and Listing Rule 14.4, Mr Kee only holds office until the next annual general meeting of the Company and is then eligible for re-election. Mr Kee seeks re-election to the Board.

Resolution 2 seeks Shareholder approval for the re-election of Mr Kee as a Director of the Company.

Details of Mr Kee's qualifications and experience are contained in the Company's 2014 Annual Report.

Directors' Recommendation

The Directors (other than Mr Kee and Mr Kong who abstain given their personal interest in the Resolution) recommend that Shareholders vote **in favour** of the election of Mr Kee Yong Wah.

3. Resolution 3 – Election of director – Mr Kong Kok Keong

Mr Kong Kok Keong was appointed to the Board as an additional Director on 21 August 2014. In accordance with Article 6.3(j) of the Constitution and Listing Rule 14.4, Mr Kong only holds office until the next annual general meeting of the Company and is then eligible for re-election. Mr Kong seeks re-election to the Board.

Resolution 3 seeks Shareholder approval for the re-election of Mr Kong as a Director of the Company.

Details of Mr Kong's qualifications and experience are contained in the Company's 2014 Annual Report.

Directors' Recommendation

The Directors (other than Mr Kong and Mr Kee who abstain given their personal interest in the Resolution) recommend that Shareholders vote **in favour** of the election of Mr Kong Kok Keong.

4. Resolution 4 – Re-Election of director – Mr Graeme Robertson

Pursuant to Article 6.3(c) of the Company's Constitution and the Listing Rule 14.4, one-third of the Directors of the Company (rounded down to the nearest whole number) must retire each year. Pursuant to Article 6.3(f) of the Company's Constitution, a retiring Director may then be eligible for re-election. Mr Robertson retires by rotation pursuant to these requirements and is eligible for re-election.

Resolution 4 seeks Shareholder approval for the re-election of Mr Robertson as a Director of the Company.

Details of Mr Robertson's qualifications and experience are contained in the Company's 2014 Annual Report.

Directors' Recommendation

The Directors (other than Mr Robertson who abstains given his personal interest in the Resolution) recommend that Shareholders vote **in favour** of the re-election of Mr Robertson.

5. Resolutions 5 and 10 – Approval of share issue for the purpose of Listing Rule 7.4

On 21 August 2014, 83,333,333 fully paid ordinary Shares in the Company were issued for \$0.03 per Share for general working capital and commercial purposes (**Initial Placement Shares**). The Initial Placement Shares rank equally in all respects with all existing fully paid ordinary Shares in the Company. The Initial Placement Shares were issued to the following persons:

Name	Number of Shares
NCE	41,666,666
GER	41,666,667
Total	83,333,333

ASX Listing Rules

ASX Listing Rule 7.1 provides that a company must not issue or agree to issue more than 15% of its issued capital in any 12 month period without shareholder approval. ASX Listing Rule 7.4 provides that an issue of equity securities (which includes options) made without shareholder approval under Listing Rule 7.1 or 7.1A is treated as having been made with shareholder approval for the purposes of Listing Rule 7.1 or 7.1A (as applicable) if the holders of ordinary securities subsequently approve it, and the issue did not breach Listing Rule 7.1 or 7.1A (as applicable) at the time of the issue.

A total of 50,253,105 of the Initial Placement Shares (**15% Capacity Shares**) were issued to NCE and GER respectively under NGY's Listing Rule 7.1's 15% placement capacity. A total of 33,080,228 of the Initial Placement Shares were issued under NGY's Listing Rule 7.1A's additional 10% placement capacity approved by Shareholders at the Company's 2013 annual general meeting (**10% Capacity Shares**).

If Shareholders pass Resolution 5, this will take the 15% Capacity Shares out of the Company's 15% placement capacity under Listing Rule 7.1. If Shareholders approve Resolution 10, this will take the 10% Capacity Shares out of the Company's additional 10% placement capacity under Listing Rule 7.1A.

Shareholder approval for Resolutions 5 and 10 will provide the Company with flexibility in capital management and allow the Company to make further Share issues for working capital purposes as required.

Directors' Recommendation

The Directors (other than Mr Kong and Mr Kee who abstain given their personal interest in the Resolutions) recommend that Shareholders vote in favour of Resolution 5 and Resolution 10.

6. Resolutions 6 and 7 – Approval of acquisition of Relevant Interest in Shares by NCE and GER

Background

Investment Agreement

As announced to ASX on 11 July 2014, NGY has entered into an Investment Agreement with NCE to recapitalise the Company to fund the development of its Indonesian Production Sharing Contracts (**PSCs**). In accordance with the terms of the Investment Agreement, on 21 August 2014 NCE and GER (as NCEs nominee) collectively acquired a total of 83,333,333 Shares in NGY at \$0.03 per Share to raise \$2.5 million, representing 19.92% of the issued Shares in NGY (**Initial Placement**). In accordance with the terms of the Investment Agreement Mr Kong Kok Keong and Mr Kee Yong Wah were subsequently appointed to the Board as nominees of NCE and Mr Peter Cockcroft retired from the Board.

Under the terms of the Investment Agreement, NCE (and/or its nominee) agrees to subscribe for further Shares in NGY at \$0.03 per Share to raise an additional \$10 million (**Secondary Placement**), subject to NGY obtaining all necessary Shareholder approvals (see Resolutions 2, 3, 6 and 7), completion of the Initial Placement (this occurred on 21 August 2014) and the appointment of the third NCE nominee Director to the Board of NGY (see Resolution 9). Mr Jonathan Warrand and Mr Alan Fraser will subsequently retire from the Board.

NGY and NCE also agree to negotiate in good faith a 'farm in' agreement or arrangement with regard to the contract area: blok "GMB Rengat" currently the subject of the PSC coal bed methane between Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi and Indon CBM Pty Ltd dated 30 November 2009 which is to include a terms whereby NCE agrees to pay a minimum cash benefit to NGY of \$AUD500,000.

SSA

NGY, NCE and GER have entered into a binding share subscription agreement (**SSA**) setting out the terms and conditions of the Secondary Placement. Under the SSA NCE is required to subscribe for 166,666,667 Shares and GER is required to subscribe for 166,666,666 Shares (together the **Placement Shares**) at \$0.03 per Share to raise a total of \$10 million subject to Shareholder approval for Resolutions 2, 3, 6, 7 and 9 as well as shareholders of Globaltec Formation Berhad approval of the terms of the SSA before 31 December 2014 (**Conditions**). NCE and GER are required to subscribe for the Subscription Shares and pay the subscription amount (being \$5,000,000.01 in respect of NCE and \$4,999,999.98 in respect of GER) within 2 Business Days of the satisfaction or waiver of the Conditions and NGY is required to issue the Placement Shares within 2 business days of receipt in full of the subscription amount.

NCE and GER's Shareholding

If the Conditions are satisfied, following the issue of the Placement Shares to NCE and GER each will hold 208,333,333 Shares, representing 27.72% of the issued Shares in NGY each. Together, NCE and GER will collectively hold a total of 416, 666, 666 Shares, representing 55.43% of the issued Shares in NGY. It therefore follows that if Shareholders approve Resolutions 6 and 7 and the other Conditions are satisfied, then NCE and GER's combined shareholding in NGY will increase from 19.92% to 55.43%.

If Shareholders do not approve Resolutions 2, 3, 6, 7 and 9 then the Placement Shares will not be issued to NCE and GER respectively. Consequently NGY will have insufficient funds to operate its core business of developing the Indonesian PSCs in the short-medium term and will be required to seek alternative funding to be able to do so.

Why are Resolutions 6 and 7 required?

Takeover provisions

Section 606 of the *Corporations Act* prohibits the acquisition of voting Shares or a Relevant Interest in voting shares of a listed company if that acquisition results in a person's Voting Power in the company increasing:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

A person's Voting Power is determined in accordance with section 610 of the *Corporations Act* by calculating the total number of voting shares in which a person and their Associates have a Relevant Interest, as a percentage of the total voting shares in the relevant entity.

A person has a Relevant Interest in securities if they:

- are the holder of the securities;
- have the power to exercise, or control the exercise of, a right to vote attached to the securities;
- have power to dispose of, or control the exercise of a power to dispose of, the securities; or
- have a voting power of more than 20% in a body corporate which holds the securities,

("Relevant Interest")

It does not matter how remote the Relevant Interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have a Relevant Interest in those securities.

For the purpose of determining whether a Relevant Interest exists, "power" and "control" includes that which can be exercised as a result of an agreement.

Section 611, Item 7

Item 7 of section 611 of the *Corporations Act* provides an exception to the prohibition against acquisitions of Relevant Interests in a company's voting shares prohibited under section 606 of the *Corporations Act* where the company's shareholders (subject to voting exclusions set out in this Notice) approve the acquisition. The Placement Shares are voting shares.

NCE and GER are Associates for the purpose of the Corporations as GER Controls NCE by virtue of holding 60% of the issued share capital of NCE.

As noted above, if Shareholders approve Resolutions 2, 3, 6, 7 and 9 (and shareholders of Globaltec Formation Berhad approve the terms of the SSA), the Relevant Interests of the NCE Parties and the GER Parties following the issue of the Placement Shares will increase from 19.92% (i.e. from below 20%) to 55.43% (i.e. above 20%).

Please see Table 1 below for the Relevant Interest that each of NCE, NCE's Associates, GER and GER's Associates will hold upon the issue of the Placement Shares to NCE and GER.

Shareholder approval is therefore required under Item 7, section 611 of the *Corporations Act* to permit the issue of the Placement Shares that would otherwise be in contravention of section 606 of the *Corporations Act*.

Table 1

Shareholder	Number of Shares	Voting Power at date of Notice	Voting Power after issue of Placement Shares	Maximum increase in Voting Power after issue of Placement Shares
NCE	208, 333, 333 (Direct)	19.92%	55.43%	35.51%
NCE Associates				
GER	208, 333, 333 (Direct)	19.92%	55.43%	35.51%
Faith Alliance International Limited	208,333,333 (indirect)	19.92%	55.43%	35.51%
Mr Kee Yong Wah	208, 333, 333 (indirect)	19.92%	55.43%	35.51%
Globaltec Formation Berhad	208, 333, 333 (indirect)	19.92%	55.43%	35.51%
GER	208, 333, 333 (Direct)	19.92%	55.43%	35.51%
GER Associates				
NCE	208, 333, 333 (Direct)	19.92%	55.43%	35.51%
Globaltec Formation Berhad	208, 333, 333 (Indirect)	19.92%	55.43%	35.51%
Total Relevant Interest of NCE Parties and GER Parties	416, 666, 666*			
Remaining Shareholders	335, 020, 698	80.08%	44.47%	(35.61%)
Total	751, 687, 364*			

* Following the issue of the Placement Shares.

Notes to Table 1

1. The Voting Power of the NCE Parties and the GER Parties as at the date of this Notice and following the issue of the Placement Shares arises as a result of Relevant Interests created by NCE and GER being Associates for the purpose of the *Corporations Act* as GER holds 60% of the issued shares in NCE and therefore Controls NCE.
2. The Voting Power of the Remaining Shareholders will decrease by 35.61% as a result of the issue of the Placement Shares.
3. Faith Alliance International Limited's interest is held indirectly as it holds more than 20% of the shares in NCE.
4. Mr Kee Yong Wah's interest is held indirectly as he holds more than 20% of the shares in Faith Alliance International Limited.
5. Globaltec Formation Berhad's interest is held indirectly as it holds more than 20% of the shares in GER and has the power to exercise, or control the exercise of, a right to vote attached to the shares held by GER and NCE as well as the power to dispose of, or control the exercise of a power to dispose of those shares.

Voting Power and maximum increase

Please see Table 1 above for the Voting Power and the maximum increase in Voting Power of the NCE Parties and the GER Parties if Shareholders approve Resolutions 2, 3, 6, 7 and 9.

Reasons for Placement and use of funds

NGY has done a reasonable amount of exploration and pilot development at its Muara Enim PSC. The Directors and management believe that from results thus far, a viable economic project may be possible within its acreage in the South Sumatra basin. Funds from the issue of the Placement Shares will enable NGY to continue its exploration and pilot development in Sumatra and help to further prove the concept of CBM production in Sumatra and take further steps towards a plan of development and commencement of commercial production within a viable economic project.

NGY has commitments to meet under its three Sumatran PSCs. The Company has annual meetings with the Indonesian regulator (SKKMIGAS) to determine the following year's Work Program and Budget for each PSC. The Placement funds will be used to meet the 2014 PSC commitments, including commencement of drilling at the Muara Enim II and Rengat PSCs by 31 December 2014, to continue pilot operations at the Muara Enim PSC and provide necessary funding for ongoing working capital requirements.

If Shareholders do not approve Resolutions 2, 3, 6, 7 and 9, the Placement Shares will not be issued to NCE and GER, and the Company will therefore not receive the \$10 million consideration for those Shares. This will likely have a detrimental effect on the Company's ability to meet its 2014 PSC expenditure requirements, which in turn could result in the Company forfeiting ownership of the PSCs. NGY has invested substantial capital working to commercialise the PSC resources that would not be realised if the PSCs were forfeited. NGY has explored a range of funding options over the past 12 months and the Board has determined that the issue of the Placement Shares is in the best interests of the Company.

Advantages and Disadvantages of the acquisition of Relevant Interests by NCE

There are a number of advantages and disadvantages to the Company which Shareholders should consider in assessing the impact of the issue of the Placement Shares and corresponding increase in the Relevant Interests of NCE and GER, in deciding on how to vote on Resolutions 6 and 7.

The Directors believe that the key and general advantages to the Company in respect of the issue of the Placement Shares are:

- The Company will be able to fund its Indonesian PSC commitments, pilot development programs, further acquisitions and exploration and development. It does not have alternative financing readily available otherwise.
- The application of the funds raised may provide an opportunity for NGY Shareholders to experience growth in the value of NGY shares. NGY has spent twelve months seeking a proposal and the issue of the Placement Shares is the best opportunity considered by the Board.
- A control premium is being paid by NCE and GER for obtaining Control of NGY.
- If the Company does not obtain the NCE and GER funds from the Placement Shares it may not be able to meet expenditure requirements and therefore forfeit ownership of the PSC's, which it has invested substantial capital in attempting to commercialise.
- There will be no change in the primary operations of NGY, with its core PSCs in South Sumatra continuing.
- The issue of the Placement Shares will result in an increase in NGY's market capitalisation and provide an opportunity for NGY to create shareholder value.
- Considering the increase in the share price that occurred after the announcement of the Transaction, the NGY Share price is likely to fall in the event the relevant shareholder approvals are not obtained.
- The NGY Board are of the opinion that the issue of the Placement Shares is in the best interests of the Company's Shareholders and in the absence of a superior alternative proposal is the most appropriate strategic opportunity for the Company.

The Directors believe that the key and general disadvantages to the Company are:

- An opportunity may be lost to obtain a takeover premium for the Company's shares unless NCE and GER sold their interest in NGY or subscribed for a 100% interest.
- Shareholders' shareholding in the Company will be diluted considerably as a significant number of new Shares will be issued to NCE and GER.
- The investment by NCE and GER represents a significant investment. Following the issue of the Placement Shares, the Board will be reconstituted to include 3 nominees of NCE and Mr Jonathan Warrant and Mr Alan Fraser will retire from the Board. NCE will therefore control the Board by having 3 out of the 4 Board members. As such, Globaltec Formation Berhad (via GER and GER's Control of NCE) will have the ability to significantly control and influence the operations and conduct of the Company, including at Shareholder meetings.
- NCE's or GER's intentions may change at a date subsequent to his Explanatory Statement. Although the Board does not have any information to suggest this may happen, if NCE or GER do change their intentions with respect to the Company, you may disagree with these.

Who are NCE and GER?

NCE

NCE, a company registered in the Cayman Islands, is in the business of consultancy, exploration and oil & gas producer with a primary focus in unconventional oil & gas. NCE has extensive experience in the Coal Bed Methane (CBM) exploration and production industry, including subsurface (geological, geophysical & reservoir), well drilling, completion and production techniques that can significantly enhance the productivity of CBM wells. NCE is 60% owned by GER. GER is 100% owned by Globaltec Formation Berhad (MYX:5220), a public company listed on the Bursa Malaysia main market.

GER

GER is a Malaysian based investment holding and its subsidiaries are in the business of exploration and production of oil & gas with a primary focus on unconventional oil & gas. It also involved in the provision of services to oil & gas businesses and assets.

The key Management of NCE and GER have extensive experience in the unconventional oil and gas industry including subsurface (geological, geophysical and reservoir), well drilling, completion and production optimisation techniques that can significantly enhance the productivity of oil and gas wells.

Globaltec Formation Berhad

Globaltec Formation Berhad (MYX:5220) (GFB) is a public company listed on the Bursa Malaysia main market. GFB was established for the merging of three (3) Main Market public listed companies on the Bursa Malaysia Securities Berhad, namely AutoV Corporation Berhad, AIC Corporation Berhad and Jotech Holdings Berhad and their respective subsidiary companies.

After the merger, GFB and its group of companies became an integrated manufacturing services provider. GFB Group is also involved in plantation and mining activities.

NCE and GER's intentions

NCE and GER's intentions regarding the future of the Company as at the date of this Notice are as follows:

- each will pro-actively support the Board with its current business undertaking and direction and provide assistance as and where required.
- each have no intention to change the business of the Company.
- they each do not have any intention to inject further capital, other than under the SSA, into the Company at this time.
- they each have no intention to transfer or redeploy any assets of the Company.
- they each have no intention to change the financial or dividend distribution policies of the Company.

NCE nominee Director

If Resolutions 6, 7 and 9 are approved, Dato' Sri Dr. Goh Tian Chuan will be appointed to the Board as the third nominee of NCE in accordance with the terms of the Investment Agreement. Dato' Sri Goh's appointment to the Board does not occur until completion of the issue of the Placement Shares.

Please refer to Resolution 9 for specific information regarding Dato' Sri Goh and the approval for his appointment to the Board as a nominee of NCE.

Board Composition following issue of Placement Shares

If Resolutions 2, 3, 6, 7 and 9 are approved (and the shareholders of Globaltec Formation Berhad approve the terms of the SSA), the Company's Board will be as follows:

- Mr Kong Kok Keong
- Mr Kee Yong Wah
- Dato' Sri Dr. Goh Tian Chuan
- Mr Graeme Robertson

Independent Expert Report

Generally, a resolution seeking shareholder approval for the purposes of Item 7, section 611 of the *Corporations Act* must be accompanied by an Independent Expert Report ("**IER**") in order for the Company to satisfy its obligation to provide members with all material information on how to vote on the resolution. The role of the independent expert is to analyse the proposed transaction and express an opinion as to whether the transaction is 'fair and reasonable' to Shareholders in the circumstances.

The Board has commissioned an IER which is attached as Annexure A. The independent expert is of the opinion that the acquisition of Relevant Interests by the NCE Parties and the GER Parties the subject of Resolutions 6 and 7 are **fair and reasonable** for all Shareholders of the Company, including all Shareholders who are not associated with GER and NCE. Shareholders should consider the IER in full.

No Chapter 2E approval

Under section 228 of the *Corporations Act* an entity is a Related Party of a public company in a variety of circumstances, including where:

- (a) it controls the public company;
- (b) it believes it is likely to become a Related Party of the public company at any time in the future; or
- (c) it is controlled by a director of the public company.

Given that:

- (a) NCE and GER together currently hold 19.92% of the Voting Power in the Company and currently have 2 nominees appointed to the Board; and
- (b) NCE and GER have reasonable grounds to believe that they will become a Related Party of the Company following the issue of the Placement shares (if Resolutions 6 and 7 are approved),

the Company considers NCE and GER each to be a Related Party of the Company for the purpose of the *Corporations Act*. As a result, Globaltec Formation Berhad (as the entity which controls GER and NCE) is also a Related Party of the Company. Under section 208 of the *Corporations Act*, the Company is prohibited from giving a Related Party a 'financial benefit' without obtaining the prior approval of the Company's Shareholders unless one of the exceptions to this prohibition set out in the *Corporations Act* applies.

The issue of the Placement Shares to NCE and GER respectively constitutes the giving of a financial benefit.

Section 210 of the *Corporations Act* provides that Shareholder approval is not needed to give a financial benefit to a Related Party that would be reasonable in the circumstances if the Company and the Related Party (NCE and GER) were dealing at arms-length, or on terms that are less favourable to the Related Party to these terms ("**Arms-Length Exception**").

The Directors of the Company who have not been nominated to the Board by NCE (Mr Robertson, Mr Alan Fraser and Mr Warrand) consider that the issue of the Placement Shares to NCE and GER respectively falls within the Arms-Length Exception. Therefore Shareholder approval for the issue of the Placement Shares is not required for the purpose of Chapter 2E of the *Corporations Act*.

The Directors who have not been nominated to the Board by NCE took the following factors into account in forming the view that the Arms-Length Exception applies to the issue of the Placement Shares:

- The terms of the Placement Shares compared to the terms of the initial placement of 83,333,333 Share to NCE and GER, being a comparable transaction negotiated between arms-length parties.
- The extensive and robust negotiations and bargaining between the Company, NCE and GER. Each party was represented by legal counsel.
- The determination in the IER that the Transactions are 'Fair and Reasonable' to non-associated Shareholders.
- The Board sought and considered alternative funding options over the past 12-18 months, however, such options were less favourable than the terms of the Placement Share investment by NCE and GER.
- The negative implications for the Company's ability to progress development of its core business without the Placement Share investment.

Intrasia Capital Pty Ltd ACN 141 854 695 ("**Intrasia**") is a Related Party of the Company as it is controlled by Company Directors Graeme Robertson and Jonathan Warrand.

Intrasia is to receive a corporate advisory fee from the Company of 0.75% ("**Corporate Advisory Fee**") of the funds raised from the Secondary Placement. The Corporate Advisory Fee equates to \$75,000.00.

The Corporate Advisory Fee is a 'financial benefit' for the purpose of the Corporations Act and the Company is prohibited from providing this 'financial benefit' without Shareholder approval. However, the Directors of the Company not associated with Intrasia (Mr Fraser, Mr Kong and Mr Kee) consider that the payment of the Corporate Advisory Fee to Intrasia falls within the Arm-Length Exception and Shareholder approval for the payment is therefore not required.

The non-associated directors took the following factors into account in forming the view that the Arm-Length Exception applies to the payment of the Corporate Advisory Fee:

- The low quantum of the Corporate Advisory Fee as a percentage of the funds to be raised by the Secondary Placement compared to comparable transactions between arms-length parties; and
- The negotiations between Intrasia and the Company, particularly that the Corporate Advisory Fee was negotiated down by the Company.

Listing Rule 10.11

In accordance with Listing Rule 10.11, NGY cannot issue or agree to issue Shares to any of the following persons without Shareholder approval:

- a Related Party; or
- a person whose relationship with NGY is, in ASX's opinion, such that approval should be obtained.

NGY considers NCE and GER to be a Related Party of the Company for the reasons set out above under the heading 'No Chapter 2E approval'. Therefore, Resolutions 6 and 7 seek Shareholder approval for the purpose of Listing Rule 10.11 (as well as Item 7 of section 611 of the *Corporations Act*) for the issue of the Placement Shares to NCE and GER respectively.

The issue of the Placement Shares to NCE and GER respectively the subject to Resolutions 6 and 7 are being sought for the purpose of Item 7 of section 611 of the *Corporations Act* and Listing Rule 10.11. Therefore approval for the issue of the Placement Shares is not required for the purpose of Listing Rule 7.1.

Directors' Recommendation

Each of the Directors (other than Mr Kee Yong Wah and Mr Kong Kok Keong who abstain given their personal interest in the outcome of Resolutions 6 and 7 as nominee Directors of NCE) recommends that Shareholders vote in favour of Resolutions 6 and 7.

Information required by ASIC Regulatory Guide 74 and Listing Rule 10.13

The following paragraphs set out information required to be provided to Shareholders under Item 7 in the table in section 611 of the *Corporations Act*, ASIC Regulatory Guide 74 and Listing Rule 10.13.

1.	<i>Identity of the persons proposing to make the acquisition and their associates</i>	NCE and GER. Please see Table 1 on pages 8 and 9 for specific details.
2.	<i>Maximum number of securities to be issued</i>	333,333,333, being 166,666,667 in respect of NCE (Resolution 6) and 166,666,666 in

		respect of GER (Resolution 7).
3.	<i>Maximum extent of increase in voting power in the Company resulting from the acquisition</i>	35.51%. Please see Table 1 on pages 8 and 9 for further details.
4.	<i>Identity, associations and qualifications of proposed directors</i>	Kee Yong Wah, Kong Kok Keong and Dato' Sri Dr Goh Tian Chuan. Please see the information provided under the heading 'NCE nominee Director' on page 11 and Resolutions 2, 3 and 9 for specific details.
5.	<i>Intentions regarding the future of the Company</i>	No material changes. Please see the information provided under the heading 'NCE and GER's Intentions' on page 11 for specific details.
6.	<i>The issue price and terms of the proposed acquisition</i>	\$0.03 per Placement Share. Please see 'Background' section on page 7 for further details
7.	<i>Timing of the proposed acquisition</i>	No later than 4 Business Days after all the satisfaction or waiver of the SSA Conditions Please see the 'Background' section on page 7 for further details of the SSA Conditions.*
8.	<i>Relationship that requires Listing Rule 10.11 approval to be obtained</i>	NGY considers NCE and GER to each be a Related Party to the Company for the reasons set out under the heading 'No Chapter 2E approval'. Please see the information provided under that heading on page 12 for further details.
9.	<i>Reasons for the acquisition and intended use of funds</i>	Please see the information provided under the heading 'Reasons for the Placement and use of funds' on page 9 for specific details.
10.	<i>Directors' interests and Recommendations</i>	The Directors (other than Mr Kee Yong Wah and Mr Kong Kok Keong who abstain given their personal interest in Resolutions 6 and 7 as nominee Directors of NCE) recommend that Shareholder vote in favour of Resolutions 6 and 7. Please see the information provided under the heading 'Directors' Recommendation' on page 13 for further details.
11.	<i>Independent Expert Report as to whether the issue of Shares is fair and reasonable</i>	The Independent Expert is of the opinion that the Transactions are Fair and Reasonable. Please see Annexure A for further details.
12.	<i>Impact on the Company if Shareholders do not approve the issue of Shares</i>	The Company will face severe adverse consequences. Please see the information provided under the heading 'Reasons for the Placement and use of funds' on page 9 for further details.
13.	<i>Voting exclusion statement</i>	Please see the voting exclusion statements in relation to Resolutions 6 and 7 on page 4 for further details.

* NGY anticipates the SSA Conditions being satisfied within 1 month of the AGM. If this does not occur, NGY will need to obtain a waiver of Listing Rule 10.13.3 from ASX to facilitate the issue of the Placement Shares after that time.

8. Resolution 8 - Approval of issue of Equity Securities for the purpose of ASX Listing Rule 7.1A

Resolution 8 seeks Shareholder approval by way of special resolution for the Company to have the ability to issue Equity Securities pursuant to the 10% Placement Capacity available under ASX Listing Rule 7.1A.

Overview

Listing Rule 7.1A was introduced on 1 August 2012 and allows mid to small cap listed entities to seek Shareholder approval to issue Equity Securities equivalent to an additional 10% of the number of ordinary securities on issue by way of placements over a 12 month period (**10% Placement Capacity**). This is in addition to the 15% permitted under listing rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less at the time of the AGM. The Company is currently an eligible entity for the purpose of Listing Rule 7.1A. The Board expects that the Company will be an eligible entity as at the date of the AGM. However if the Company is not eligible, Resolution 8 will be withdrawn.

Shareholder Approval

The ability to issue Equity Securities under Listing Rule 7.1A is subject to Shareholder approval by way of special resolution at AGM. Approval cannot be sought at any other Shareholder's meeting and Equity Securities issued under the approval (if obtained) must be issued within 12 months after the date of the AGM.

No Equity Securities can be issued under Listing Rule 7.1A before the special resolution is passed. However if a Listing Rule 7.1A approval has been obtained, securities issued under that rule may be subsequently ratified by Shareholders in accordance with Listing Rule 7.4 to "refresh" an entity's Listing Rule 7.1A additional 10% placement capacity.

Equity Securities

Any Equity Securities issued by the Company under the 10% Placement Capacity must be in the same class as an existing quoted class of Equity Securities of the Company.

As at the date of the Notice the Company has only one class of Equity Securities on issue being Shares.

Formula for calculating the 10% Placement Capacity

The Company may issue Equity Securities during the 12 month period after the date of approval calculated in accordance with the following formula as contained in ASX Listing Rule 7.1A.2:

$$(A \times D) - E$$

A is the number of fully paid ordinary Shares on issue 12 months before the date of issue or agreement to issue:

- plus the number of fully ordinary Shares issued in the 12 months under an exception in Listing Rule 7.2;
- plus the number of partly paid ordinary Shares that became fully paid in the 12 months;
- plus the number of fully paid ordinary Shares issued in the 12 months with approval of Shareholders under Listing Rule 7.1 or 7.4;
- less the number of fully paid ordinary Shares cancelled in the 12 months.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with approval of Shareholders under Listing Rule 7.1 or 7.4.

Additional Disclosure

For the purpose of Listing Rule 7.3A, the following information is provided in relation to the approval of the 10% Placement Capacity:

▪ Minimum issue price

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:

- the date on which the Equity Securities are to be issued; or
- the date on which the price of the Equity Securities is agreed, provided that the issue is then completed within 5 Business Days.

▪ Risk of dilution

If the Company issues Equity Securities under the 10% Placement Capacity, there is a risk that the economic and voting power of existing Shareholders will be diluted.

There is also a risk that:

- the market price for the Company's Equity Securities may be significantly lower on the issue date than the date of approval at the AGM; and
- the Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the issue date.

The below table shows the risk of dilution to existing Shareholders if the Company issues Equity Securities under the 10% Placement Capacity on the basis of:

- the current market price of Shares and the current number of Shares calculated in accordance with Listing Rule 7.1A(2) variable "A";
- a 50% decrease in the current market price of Shares and a 50% increase in the current number of Shares calculated in accordance with Listing Rule 7.1A(2) variable "A"; and
- a 100% increase in the current market price of Shares and a 100% increase in the current number of Shares calculated in accordance with Listing Rule 7.1A(2) variable "A".

Variable "A" in Listing Rule 7.1A.2		Dilution / Effect		
		\$0.015 50% decrease in Issue Price	\$0.03 Issue Price	\$0.06 100% increase in Issue Price
Current Variable A 41,835,403 Shares	10% Voting Dilution	41,835,403	41,835,403	41,835,403
	Funds Raised	\$627,531	\$1,255,062	\$2,510,124
50% increase in current Variable A 62,753,105 Shares	10% Voting Dilution	62,753,105	62,753,105	62,753,105
	Funds Raised	\$941,297	\$1,882,593	\$3,765,186
100% increase in current Variable A 83,670,806 Shares	10% Voting Dilution	83,670,806	83,670,806	83,670,806
	Funds Raised	\$1,255,062	\$2,510,124	\$5,020,248

The table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the 10% Placement Capacity.
- The table does not show any examples of the dilution that may be caused to a specific Shareholder based on that Shareholder's holding at the date of the AGM.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue.
- The table only shows the effect of issues under Listing Rule 7.1A and does not consider the effect of any issues under the 15% placement capacity under Listing Rule 7.1 during the 12 month period or any other issues.
- The Issue Price of the Shares is \$0.03, being the closing price of the Shares on ASX on 11 September 2014.

- **Final issue date**

The final date that the Company can issue Equity Securities under the 10% Placement Capacity is 12 months from the date of the AGM, being 31 October 2015.

The approval under Resolution 8 will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

- **Purpose of the issue**

The Company may seek to issue the Equity Securities for the following purposes:

- cash consideration to be applied to the acquisition of new assets or investments, expenditure associated with exploration, drilling, development and the production of gas at the Company's existing asset base in Indonesia; or
- non-cash consideration for the acquisition of new resources, assets or investments.

If the Equity Securities are issued for non-cash consideration, the Company will release to the market a valuation of the non-cash consideration which demonstrates that the issue price of the securities complies with Listing Rule 7.1A.3.

- **Allocation policy**

The Company's allocation policy for the issue of Equity Securities pursuant to the 10% Placement Capacity is largely dependent on the prevailing market conditions and the circumstances of the Company at the time of any proposed issue. The time frame over the 12 month period which the Company expects to make placements under the Resolution 8 approval therefore cannot yet be accurately determined.

As at the date of the Notice the Company has not formed an intention to issue securities under a placement pursuant to Listing Rule 7.1A to any particular party. The Company may approach existing Shareholders, a class or group of existing Shareholders, or new investors who have not previously been Shareholders to participate in a placement of Equity Securities.

When determining to issue the 10% Placement Capacity securities the Company will have regard to a range of factors including but not limited to:

- the effect of the issue of Equity Securities on the control of the Company;
- the financial circumstances of the Company;
- whether the raising of funds could be carried out by means of a pro-rata entitlements offer or other similar issue to allow existing Shareholders to participate ;
- advice from the Company's corporate, financial and professional advisors;
- whether a placement of Equity Securities to a vendor(s) as non-cash consideration for the acquisition of new resources, assets or investments is the best alternative for the Company.

- **Previous approval**

For the purposes of Listing Rule 7.3A.6 the following information is provided.

The Company obtained Shareholder approval for the 10% Placement Capacity at its 2013 Annual General Meeting.

During the 12 months prior to the date of this Notice, the Company issued 136,694,124 equity securities representing 48.5% of the total number of equity securities on issue 12 months ago. 33,080,226 of the equity securities were issued under the Additional Placement Capacity. The details of the equity securities issued are as follows:

Number of Equity Securities Issued	Class of Equity Securities Issued	Name of Person to Whom Equity Securities were Issued to	Issue Price	Cash Consideration	Discount
53,360,791 ¹	Ordinary Shares ³	Various shareholders and underwriter	3.5 cents	\$1,867,678	Nil
41,666,667 ²	Ordinary Shares ³	NCE	3 cents	\$1,250,000	Nil
41,666,666 ²	Ordinary Shares ³	GER	3 cents	\$1,250,000	Nil
Total: 136,694,124				Total: \$4,367,678⁴	

¹ The Company announced a partially underwritten non-renounceable Rights Issue of one (1) New Share for every four (4) shares on 28 November 2013 at the issue price of \$0.035 (3.5c) per share. NuEnergy received acceptances from shareholders for 33,360,790 new shares. The related party underwriter Farjoy Pty Ltd applied for 20,000,000 shortfall shares.

² On 21 August 2014, 83,333,333 fully paid ordinary Shares in the Company were issued for \$0.03 per Share, for general working capital and commercial purposes.

³. Ordinary Shares are fully paid ordinary shares in the capital of the Company with full entitlements to participate in dividends and to vote in meetings.

⁴ After allowing for existing cash reserves, the Company has spent approximately \$2.4 million of the cash consideration received from the issue of the equity securities.

▪ **Voting exclusion statement**

A voting exclusion statement is set out on page 4 of this Notice.

As at the date of this Notice, the Company does not yet know, nor has it formed an intention in relation to how it will decide, which parties it may approach to participate in any issue that may ultimately be made. Therefore, no Shareholders will be excluded from voting on Resolution 8 as no Shareholder has an interest in the outcome of the Resolution that is potentially different from that of any other Shareholder.

Directors' Recommendation

The Directors recommend that Shareholders vote **in favour** of the 10% Placement Capacity.

9. Resolution 9 - Appointment of Director – Dato' Sri Dr Goh Tian Chuan

Resolution 9 seeks Shareholder approval for the appointment of Dato' Sri Dr Goh Tian Chuan as a Director of the Company as the third nominee Director of NCE in accordance with the terms of the Investment Agreement and the SSA.

The appointment of Dato' Sri Goh as a Director is conditional on the passing of Resolutions 6 and 7 and will not take effect until the completion of the issue of the Placement Shares. Under the terms of the SSA NCE and GER are required to subscribe for the Placement Shares within two business days of satisfaction or waiver of the Conditions, and NGY is required to issue the Placement Shares within two business days of receipt in full for the subscription amount (\$10 million).

Details of Dato' Sri Goh's qualifications and experience are set out below.

Dato' Sri Dr. Goh Tian Chuan

Dato' Sri Dr. Goh Tian Chuan, JP is the Group Executive Chairman of Globaltec Formation Berhad ("GFB"), a company listed on the Bursa Malaysia Securities Bhd since 20 July 2011.

Dato' Sri Dr. Goh Tian Chuan, JP graduated from the Royal Malaysia Police College in 1982 and was a Senior Police Officer attached to the Royal Malaysia Police Contingent Sabah in Kota Kinabalu, Sabah for thirteen (13) years. Since leaving the police force in 1994, he has run his own businesses, which apart from his investments in several public listed companies, cover a multitude of industries from investment holding to plantation and property development.

Dato' Sri Dr. Goh Tian Chuan, JP has held a number of Executive (Executive Chairman) and Non-Executive board positions and in 2006, Dato' Sri Dr Goh Tian Chuan, JP was conferred the title of Panglima Gemilang Darjah Kinabalu (PGDK) which carry the title of "Datuk" by the Honorable Head of State of Sabah, Malaysia.

In 2011, he was appointed as Justice of the Peace (JP) by the Honorable Head of State of Malacca, Malaysia and in 2013, was conferred the title of Sri Sultan Ahmad Shah Pahang (SSAP) which carries the title of "Dato' Sri" by the Honorable Sultan Ahmad Shah Pahang Dahrul Makmur, Malaysia.

In 2012, Dato' Sri Dr. Goh Tian Chuan, JP was conferred Honorary Doctorate of Civil Laws by European University Switzerland.

Directors' Recommendation

The Directors (other than Mr Kee and Mr Kong who abstain given their personal interest in the Resolution) recommend that Shareholders vote **in favour** of the appointment of Dato' Sri Dr. Goh Tian Chuan.

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at an Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, each proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the *Corporations Act*. Section 127 of the *Corporations Act* provides that a company may execute a document without using its common seal if the document is signed by:
 - 3.1. 2 directors of the company;
 - 3.2. a director and a company secretary of the company; or
 - 3.3. for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the *Corporations Act*, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who signs the document or witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid Proxy Form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as the Proxy Form.
6. You can direct your proxy how to vote on each Resolution by completing **STEP 2** on the Proxy Form.
7. If you appoint the Chairman as your proxy by marking the box in **STEP 1** on the Proxy Form then you are providing express authorisation for the Chairman to vote on all Resolutions in accordance with his intentions as set out in this Notice and the Proxy Form (except where you have indicated a different voting intention by marking the voting boxes in **STEP 2** on the Proxy Form).

This express authorisation acknowledges that the Chairman may exercise your proxy in relation to Resolution 1 even though this Resolution is connected with remuneration of a member of KMP is a Resolution in respect of which the Chairman of the meeting has an interest.

Votes cast by the Chairman on Resolution 1 other than as authorised proxy holder will be disregarded because of his interest in the outcome of the Resolution.

The Chairman intends to vote available proxies in favour of all Resolutions.

8. If you appoint a KMP other than the Chairman at **STEP 1**, and do not complete **STEP 2**, your vote will not be counted in respect of Resolution 1.
9. To vote by proxy, please complete and sign the Proxy Form enclosed and send:
 - 9.1. by post to Level 12, 680 George Street, Sydney NSW 2000; or
 - 9.2. by facsimile to: (02) 9287 0309 (within Australia) or +61 2 9287 0309 (outside Australia)so that it is received not later than 11 am (Sydney Time) on 29 October 2014.

Proxy Forms received later than this time will be invalid.

GLOSSARY

In this Notice of Meeting:

\$ means Australian Dollars

10% Placement Capacity means the Company's ability under Listing Rule 7.1A to issue Equity Securities up to 10% of its issued share capital by way of placements over a 12 month period after the AGM.

AGM, General Meeting or Meeting means the Annual General Meeting of Shareholders convened for the purposes of considering the Resolutions.

Annual Report means the Directors Report, the Financial Report and the Auditors Report in respect to the financial year ended 30 June 2014.

ASIC means the Australian Securities and Investments Commission.

Associate has the same meaning as in the *Corporations Act*.

ASX means ASX Limited ACN 008 624 691 or the market it operates known as the Australian Securities Exchange, as applicable.

Auditor means the auditor of the Company.

Auditor's Report means the auditor's report on the Financial Report.

Board or Board of Directors means the board of Directors of the Company.

CBM means coal bed methane.

Chair or Chairman means the person appointed the chair of the Meeting convened by this Notice.

Closely Related Party has the meaning given in section 9 of the *Corporations Act*.

Company or NuEnergy means NuEnergy Gas Limited ACN 009 126 238.

Control has the same meaning as in the *Corporations Act*.

Constitution means the constitution of the Company.

Corporations Act means *the Corporations Act 2001* (Cth).

Director means a director of the Company.

Directors' Report means the annual directors report.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Statement means the Explanatory Statement accompanying the Notice of Meeting.

Faith Alliance International Limited means Faith Alliance International Limited, a company incorporated in the British Virgin Islands.

Financial Report means the annual financial report prepared under chapter 2M of the *Corporations Act* for the Company and its controlled entities.

GER means Globaltec Energy Resources Sdn Bhd, a company registered in Malaysia.

GER Parties means GER, Globaltec Formation Berhad and NCE.

Globaltec Formation Berhad means Globaltec Formation Berhad, a company incorporated in Malaysia

Hall Chadwick means Hall Chadwick Corporate (NSW) Limited ACN 080 462 488.

Investment Agreement means the investment agreement dated 10 July 2014 (as amended and restated on 18 August 2014) entered into between NGY and NCE.

Key Management Personnel or KMP means key management personnel as identified in the Remuneration Report for the financial year ended 30 June 2014.

Listing Rules means the Listing Rules of the ASX.

NCE means New Century Energy Resources Ltd, a company registered in the Cayman Islands.

NCE Parties means NCE, GER, Faith Alliance International Ltd, Globaltec Formation Berhad and Company Director, Mr Kee Yong Wah.

Notice of Meeting or **Notice** means the notice convening the Annual General Meeting accompanying this Explanatory Statement.

Proxy Form means a proxy form accompanying this Notice of Meeting.

Related Party has the same meaning as in the *Corporations Act*.

Relevant Interest has the same meaning as in the *Corporations Act*.

Remuneration Report means the remuneration report of the Company contained in the Directors' report.

Resolution means a resolution to be considered at the Annual General Meeting as contained in the Notice of Meeting.

Share means a fully paid ordinary share in the Company.

Shareholder means a person registered as a holder of a Share.

SSA means the share subscription agreement between NGY, NCE and GER that sets out the terms and conditions of the subscription and issue of the Placement Shares.

Sydney Time means Australian Eastern Daylight Time.

Voting Power has the same meaning as in the *Corporations Act*.

VWAP means volume weighted average price.

In this Notice and the Explanatory Statement words importing the singular include the plural and vice versa.

17 September 2014

The Directors
NuEnergy Gas Limited
c/- Intrasia Capital
Suite 2001, Level 20 Australia Square
264 George Street
SYDNEY NSW 2000

Dear Sirs,

Independent Expert's Report on the proposal to issue share capital

1. INTRODUCTION

Background

- 1.1 NuEnergy Gas Limited ("NGY" or "the Company") is an emerging ASX listed gas exploration and production company with an immediate focus on establishing unconventional gas production in Indonesia and Eastern Africa.
- 1.2 NGY entered into an Investment Agreement ("the Agreement") with New Century Energy Resources Limited ("NCE") dated 10 July 2014, as amended 18 August 2014, the terms of which include agreement for the placement of \$2,500,000 through the issue of 83,333,333 shares at \$0.03 per share ("Initial Placement") to NCE or its nominee. As announced to the market on 20 August 2014, the Initial Placement Shares have been issued to NCE and Globaltec Energy Resources Sdn Bhd ("GER", an Associate of NCE), representing 19.9% of the enlarged share capital of NGY.
- 1.3 Under the terms of the Agreement NCE (and/or its nominee) agrees to support the recapitalisation of NGY for an additional minimum commitment of \$10,000,000 by 31 December 2014 to fund NGY's Indonesian Production Sharing Contracts ("PSC") commitments, pilot development programmes and further acquisitions and exploration and development ("Secondary Placement").
- 1.4 NGY, NCE and GER have entered into a binding share subscription agreement ("SSA") setting out the terms and conditions of the Secondary Placement. Under the SSA NCE are required to subscribe for 166,666,667 Shares and GER and required to subscribe for 166,666,666 Shares ("Secondary Placement Shares") at \$0.03 per Share to raise a total of \$10,000,000.

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- 1.5 The Secondary Placement is subject to NGY obtaining all necessary Shareholder approvals (including the election of NCE's current nominee Directors Kee Yong Wah and Kong Kok Keong), and the appointment of the third NCE nominee Director the Board of NGY. Mr Jonathan Warrand and Mr Alan Fraser will subsequently retire from the Board.
- 1.6 NCE is a China based business consultancy, exploration and oil and gas producer. GER is a Malaysian based investment holding company also involved in the provision of services to oil and gas businesses. NCE is 60% owned by GER. GER is 100% owned by Globaltec Formation Berhad ("GFB"), a public company listed on the Bursa Malaysia main market.
- 1.7 Completion of the Secondary Placement is also subject to approval of the terms of the SSA from shareholders of GFB before 31 December 2014 .
- 1.8 The issue of shares by NGY to under the Secondary Placement and the subject of Resolutions 6 and 7 of the accompanying Notice of Meeting is referred to in this report as the "Transaction".

Purpose of Report

- 1.9 You have requested Hall Chadwick Corporate (NSW) Limited ("HCC") to prepare an Independent Expert's Report to advise the shareholders of NGY other than those associated with the proposed issue of NGY shares to NCE and GER ("Non-Associated Shareholders"), whether the proposed Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.
- 1.10 HCC understands and has agreed that this report will accompany the notice to convene a meeting of NGY shareholders, to assist the Non-Associated Shareholders in their consideration of the resolutions to be put at a General Meeting expected to be held in October 2014.

Opinion

- 1.11 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of NGY.
- 1.12 The ultimate decision however on whether to accept the proposed Transaction should be based on NGY shareholders own assessment of their circumstances.

2. THE PROPOSED TRANSACTION

- 2.1 On 21 August 2014 an Initial Placement was completed with NGY issuing NCE and its Associate, GER, a combined 83,333,333 (41,666,666 in respect of NCE and 41,666,667 in respect of GER) Initial Placement Shares at \$0.03 per share for a total investment of \$2,500,000. Following the Initial Placement, NCE, GER and each of their respective Associates hold a relevant interest of 19.9% in NGY. NCE and GER are Associates for the purpose of the Corporations Act as GER Controls NCE by virtue of holding 60% of the issued share capital of NCE.
- 2.2 Under the terms of the Agreement, NCE and/or its nominee agree to subscribe for additional shares in NGY to fund NGY's Indonesian PSC commitments, pilot development programmes and further acquisitions and exploration and development. This involves NCE and/or its nominee further subscribing for NGY shares for a total commitment of \$10,000,000, to be completed by 31 December 2014 at \$0.03 per share (equivalent to 333,333,333 NGY shares) subject to shareholder and regulatory approval ("Secondary Placement").
- 2.3 NGY, NCE and GER have entered into the SSA to give effect to Secondary Placement under which NCE are required to subscribe for 166,666,667 Secondary Placement Shares and GER and required to subscribe for 166,666,666 Secondary Placement Shares at \$0.03 per Share to raise a total of \$10,000,000, subject to Shareholder approval for the issue of the Secondary Shares, election / appointment of NCE's nominee Directors and GFB shareholder approval of the terms of the SSA.
- 2.4 Subsequent to the Initial Placement and in accordance with the terms of the Agreement, NCE appointed two directors to the NGY Board, Kong Kok Keong and Kee Yong Wah as nominees of NCE. One NGY Director, Peter Cockroft, has resigned, leaving a five member Board. Subsequent to shareholder approval for the Transaction, including the election of Mr Dato Sri Goh Tian Chuan, the subject of Resolution 9, and completion of the Secondary Placement in accordance with the terms and conditions of the SSA, Mr Dato will be appointed to the Board as the third NCE nominee Director and Mr Graeme Robertson will resign as chairman but remain on the Board as a non-executive director and the remaining two current NGY directors will resign with effect from completion of the Secondary Placement.
- 2.5 NGY has three Production Sharing Contracts ("PSC") in South and Central Sumatra, Indonesia, covering 4,819 square kilometres. NGY is the operator of all three, as follows:
- Muara Enim (40% participating share)
 - Muara Enim 2 (30% participating share)
 - Rengat (100% participating share)
- 2.6 Under the terms of the Agreement, NCE and NGY will also negotiate in good faith a farm-in arrangement with regard to the Rengat PSC whereby NCE must pay a cash benefit of a minimum of \$500,000 to NGY.

2.7 The following table shows the effect on the share capital of NGY after the Transaction:

Effect on Ordinary Shares of NGY	Number of Shares	NCE and GER Combined Relevant Interest in NGY
Ordinary shares on issue prior to Initial Placement	335,020,698	
Initial Placement Shares to NCE and GER	<u>83,333,333</u>	
Total ordinary shares currently on issue	418,354,031	19.92%
Secondary Placement Shares to NCE and GER ¹	<u>333,333,333</u>	
Total ordinary shares on issue after Transaction	751,687,364	55.43%

¹ \$10,000,000 commitment at \$0.03 per share

2.8 If the Conditions of the Transaction are satisfied, following the issue of the Secondary Placement Shares to NCE and GER each will hold 208,333,333 Shares, representing 27.72% of the issued Shares in NGY each. Together, NCE and GER will collectively hold a total of 416, 666, 666 Shares, representing 55.43% of the issued Shares in NGY.

STRUCTURE OF REPORT

Our report is set out under the following headings:

- 3 PURPOSE OF REPORT
- 4 OPINION
- 5 BASIS OF EVALUATION
- 6 OVERVIEW OF NGY
- 7 VALUATION METHODOLOGIES
- 8 VALUE OF NGY
- 9 ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
- 10 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

APPENDICES

- I SOURCES OF INFORMATION
- II STATEMENT OF DECLARATION & QUALIFICATIONS
- III FINANCIAL SERVICES GUIDE

3 PURPOSE OF REPORT

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of NGY of the fairness and reasonableness of the Transaction.
- 3.2 This report provides an opinion on whether or not the terms and conditions in relation to the Transaction are fair and reasonable to the NGY shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).
- 3.3 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 3.4 For the Transaction to be fair, the value of the consideration being paid by NCE and GER must be equal to or greater than the value of the NGY ordinary shares to be issued to NCE and GER. To be reasonable the shareholders must obtain an overall benefit if the Transaction proceeds.
- 3.5 This report has been prepared to satisfy the requirements of the Corporations Act 2001 ("Corporations Act") and the Australian Stock Exchange ("ASX") Listing Rules.

Corporations Act Requirements

- 3.6 If the Transaction is approved and completes in accordance with the terms of the SSA, NCE, GER and each of their respective Associates will have an approximately 55.4% relevant interest in NGY's issued ordinary shares following the issues of the Secondary Placement Shares. Section 606(1) of the Corporations Act states that a person must not acquire a relevant interest in issued voting shares in a listed company if that person's or any other person's voting power increases to above 20%, or increases from a starting point that is above 20% and below 90%. Section 606(1) therefore prohibits NCE, GER and each of their respective Associates from acquiring a relevant interest in the issued ordinary shares in NGY under the Transaction, unless one of the exemptions under Item 7 of Section 611 of the Corporations Act applies. Each of NCE and GER's respective Associates are set out in table 1 in the Explanatory Statement.
- 3.7 The exceptions set out in Item 7 of Section 611 of the Corporations Act include an acquisition that is approved by a resolution of shareholders of NGY passed at a general meeting as per Section 611. This is the exception which NGY is seeking to rely on to be able to issue the Secondary Placement Shares to NCE and GER respectively. At the general meeting of NGY no votes will be allowed to be cast by the NCE Parties, the GER Parties, each of their respective Associates and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the relevant resolution is passed.
- 3.5 Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 "Content of Experts Reports" requires, amongst other things, that directors of a company need to provide shareholders with an analysis of whether a proposed transaction is fair and reasonable, when considered in the context of the interests of the non-associated

shareholders. Regulatory Guide 111 recommends that this analysis should include an independent expert's report. The independent expert is required to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

4. OPINION

4.1 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of NGY.

4.2 Our opinion is based solely on information available as at the date of this report.

4.3 The principal factors that we have considered in forming our opinion are summarised below.

Fair

4.4 For the Transaction to be fair, the value of the consideration being paid by NCE and GER must be equal to or greater than the value of the Secondary Placement Shares to be issued to NCE and its Associate.

4.4.1 Based on the analysis contained in this report, the indicative value of the NGY shares for the purpose of this report is between \$0.013 and \$0.020 per share, with a midpoint of **\$0.017 per share**, inclusive of a 20% premium for control.

4.4.2 The consideration being paid by NCE and GER for the ordinary shares in NGY is \$0.03 per share.

4.4.3 Therefore, based on a comparison of the value attributed to NGY shares and the consideration being paid by NCE and GER, in our opinion the Transaction is fair.

4.4.4 Our valuation assessment above is based on the value per NGY share prior to the Transaction inclusive of a premium for control. In order to assess whether the Transaction is fair, we also need to compare the pre-transaction value per share of NGY on a control basis with the post-transaction value per share of NGY on a minority basis. This is shown in the table below:

NGY Value and Opinion	Low	High	Midpoint
Pre Transaction			
Control value per share	\$ 0.013	\$ 0.020	\$ 0.017
Shares on issue ¹	335,020,698	335,020,698	335,020,698
Control valuation of NGY	\$ 4,355,269	\$ 6,700,414	\$ 5,695,352
Proceeds from Initial Placement	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
Proceeds from Secondary Placement	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Post-Transaction Value	\$ 16,855,269	\$ 19,200,414	\$ 18,195,352
Post-Transaction shares on issue	751,687,364	751,687,364	751,687,364
Value per share	\$ 0.022	\$ 0.026	\$ 0.024
Minority discount	17%	17%	17%
Post-Transaction Value per share	\$ 0.018	\$ 0.022	\$ 0.020

¹ prior to the Initial Placement

4.4.5 We have assessed the value of the NGY share based on the market trading price prior to the announcement of the Agreement on 10 July 2014, as detailed at section 8.2. We note

that since this announcement NGY shares have traded at a VWAP of \$0.027 per share, which is still less than the amount being paid by NCE and GER of \$0.03 per share.

- 4.4.6 In our opinion the Transaction is **fair** based on the following:
- i. the value being paid by NCE and GER of \$0.03 per share exceeds the value range attributed to the NGY shares; and
 - ii. the value of the NGY shares held by Non-Associated Shareholders increases as a result of the Transaction.

Reasonable

- 4.5 ASIC Regulatory Guide 111 states that a transaction is reasonable if:
- The Transaction is fair; or
 - Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.
- 4.5.1 We have concluded that the Transaction is reasonable. In forming our opinion we have considered the following relevant factors:
- The funds from the Secondary Placement will assist with meeting NGY's Indonesian PSC commitments, pilot development programmes, further acquisitions and exploration and development. The application of these funds may provide an opportunity for NGY shareholders to experience growth in the value of NGY shares.
 - If the Company does not obtain the NCE and GER funds from the Secondary Placement it may not be able to meet expenditure requirements and therefore forfeit ownership of the PSC's, which it has invested substantial capital in attempting to commercialise.
 - If the Transaction is not approved by Shareholders, then the Secondary Placement Shares will not be issued to NCE and GER respectively. Consequently NGY will have insufficient funds to operate its core business of developing the Indonesian PSCs in the short-medium term and will be required to seek alternative funding to be able to do so. It has spent twelve months seeking a proposal and we are advised the current Transaction is the best deal offered to shareholders.
 - There will be no change in the primary operations of NGY, with its core PSCs in South Sumatra continuing. The secondary focus in Indonesia will be completing a farm out transaction for the Rengat PSC.
 - The Transaction will result in an increase in NGY's market capitalisation and provide an opportunity for NGY to create shareholder value.
 - The Transaction and resulting increase in market capitalisation has the potential to improve liquidity in shares increasing ease of trading.
 - The Transaction is being undertaken at a premium to recent NGY share prices.

- Considering the increase in the share price that occurred after the announcement of the Transaction, the NGY share price is likely to fall in the event the Transaction is not approved.
- The NGY Board are of the opinion that the Transaction is in the best interests of the Company's Shareholders and in the absence of a superior alternative proposal is a strategic opportunity for the Company.

4.6 *Accordingly, in our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of NGY.*

5 BASIS OF EVALUATION

- 5.1 In our assessment of whether the Transaction is fair and reasonable to NGY Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Acquisitions Agreed to by Shareholders”, Regulatory Guide 111 “Content of Experts Reports” and Regulatory Guide 112 “Independence of Experts Reports”.
- 5.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the asset being acquired (in this case the consideration being paid by NCE and GER) is equal to or greater than the value of the shares being issued. Additionally, under Regulatory Guide 111 an offer is “reasonable” if it is fair. It is possible for an offer to be reasonable despite being unfair, if after considering other non-financial factors the shareholders should still accept the offer.
- 5.3 Our report has compared the likely advantages and disadvantages to Non-Associated Shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the consideration to be paid under the proposal and the value of the shares being issued is only one element of this assessment.
- 5.4 Additionally we have considered whether any shareholder will obtain a level of control in NGY as a result of the proposed transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to non-associated shareholders must be demonstrated. In this case NCE and GER will obtain control of NGY and this issue needs to be considered in comparing the value received by Non-Associated Shareholders in comparison to the value being paid.
- 5.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm’s length. We have adopted this approach in determining the market value of NGY.
- 5.6 In evaluating the Transaction, we have considered the value of the NGY shares being issued and compared this to the amount of consideration to be paid by NCE and GER. We consider that the Transaction will be fair and reasonable if, on balance, the Non-Associated Shareholders in NGY will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholder’s interests should the Transaction not proceed.
- 5.7 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of NGY;
 - The value of NGY shares;
 - Any control premium associated with the Transaction;
 - The advantages and disadvantages associated with approving the Transaction;
 - Share trading history of NGY shares;
 - The likely value and liquidity of NGY shares in the absence of the acquisition.

- 5.8 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.
- 5.9 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.
- 5.10 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 5.11 HCC are not the auditors of NGY. The auditors of NGY are Hall Chadwick Chartered Accountants and Business Advisors Sydney Partnership. The partners of Hall Chadwick Chartered Accountants and Business Advisors Sydney have a 100% interest in HCC. HCC adopts internal procedures and structures to safeguard our independence from NGY and manage any perceived conflict of interest arising from the role of HC Sydney as auditors of NGY. We have assessed that HCC has sufficient independence to undertake this engagement.
- 5.12 We have analysed and reviewed information provided by the Directors of NCE and the directors and auditors of NGY and made further enquiries where appropriate.
- 5.13 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report.

6. OVERVIEW OF NGY

6.1 Corporate History

- 6.1.1 NGY was officially listed on the ASX on 15 January 1987 and has focused its business activities on various gas exploration activities. It has offices in Sydney, Australia, and Jakarta, Indonesia.
- 6.1.2 NGY is an emerging gas exploration and production company with an immediate focus on establishing unconventional gas production in Indonesia. NGY has a strategy to acquire, explore, appraise and develop Coal Bed Methane (“CBM”) acreage in this region. Coal bed methane is natural gas that occurs in coal beds and has been generated during the conversion of plant material to coal (the process known as coalification).
- 6.1.3 The Company’s overall strategy is to explore and establish commercial resources/reserves over its CBM projects, construct production facilities and commence production as soon as possible.

6.2 Projects

- 6.2.1 NGY has three Production Sharing Contracts (PSC) in South and Central Sumatra, Indonesia, covering 4,819 square kilometres. NGY is the operator of all three, as follows:

South Sumatra

- Muara Enim (40% participating share)
- Muara Enim II (30% participating share)

Central Sumatra

- Rengat (100% participating share)

- 6.2.2 The Agreement with NCE has been entered into to fund the development of the Indonesian Production Sharing Contracts (PSCs). We are advised that NCE has extensive experience in the CBM exploration and production industry, including subsurface (geological, geophysical & reservoir), well drilling, completion and production techniques that can significantly enhance the productivity of CBM wells. NCE is 60% owned by GER. GER is 100% owned by GFB, a public company listed on the Bursa Malaysia main market.
- 6.2.3 We are advised that NGY’s core PSCs in South Sumatra will continue to be the primary focus with the Company aiming to drill further pilot wells at its Muara Enim PSC and commence drilling at the Muara Enim II PSC, including a focus on the western area. Muara Enim PSC is the highest priority with 3 wells already drilled, logged and cored to evaluate the gas production qualities.
- 6.2.4 Operations are set to recommence at the Muara Enim Pilot well #2 site. The entry of a new strategic investors in NCE and GER will assist NGY with its drilling program.
- 6.2.5 The secondary focus in Indonesia will be completing a farm out transaction for the Rengat PSC focusing on drilling wells that intersect the identified 15 metre coal seam revealed after extensive geological and geophysical work completed in 2013.

- 6.2.6 NGY has a 100% interest in Rengat PSC, which is located in the Central Sumatra coal basin in the vicinity of a major gas pipeline from Jakarta to the Chevron Duri Steam Flood project and related infrastructure. Preliminary studies of this area have suggested that coal properties are suitable for CBM exploitation and commercial production and rank favourably with comparable global CBM producing basins. There is considerable existing oil field and gas pipeline off-take infrastructure in the area and this should facilitate any future developments. NGY and NCE have agreed to work together to achieve a farm-out of the Rengat PSC during the next financial year. No further details have been provided on this arrangement at this stage.
- 6.2.7 Based on the core focus on Indonesia, NGY has entered into agreements for the transfer of its Mozambique interests and assigned all associated rights and obligations to NuAfrica Gas Limited (a wholly owned subsidiary of NGY). Intrasia Capital Pte Ltd, a Singapore-based investment company and related party of the Company's Chairman, Graeme Robertson, has acquired NuAfrica Gas Limited. The acquisition cost for the interests in NuAfrica Gas Limited is based on direct and indirect exploration costs incurred in Mozambique.

6.3 Financial Information

- 6.3.1 Set out below is the Audited Consolidated Profit and Loss Statements of NGY for the financial years ended 30 June 2012 ("FY 2012"), 30 June 2013 ("FY 2013") and 30 June 2014 ("FY 2014").

NUENERGY GAS LIMITED CONSOLIDATED PROFIT AND LOSS STATEMENT			
	FY 2012	FY 2013	FY 2014
Revenues	361,479	160,125	300,744
Expenses			
Directors' and employees' remuneration	560,402	793,647	949,603
Share based payments	-	295,755	-
Consultants	679,316	778,416	836,335
Administration	918,006	1,046,507	808,235
Depreciation	63,544	96,589	143,323
Impairment of assets	-	-	233,039
Interest	25	-	-
Other expenses	139,487	-	-
Loss before income tax	(1,999,301)	(2,850,789)	(2,669,791)
Income tax benefit	352,899	158,807	178,704
Net loss after income tax expense	(1,646,402)	(2,691,982)	(2,491,087)

6.3.2 Set out below is the Audited Balance Sheet of NGY as at 30 June 2014.

NUENERGY GAS LIMITED	
BALANCE SHEET	
AS AT 30 JUNE 2014	
<u>CURRENT ASSETS</u>	
Cash and cash equivalents	67,032
Trade and other receivables	221,320
	<u>288,352</u>
<u>NON-CURRENT ASSETS</u>	
Available for sale financial assets	22,383
Plant & equipment	347,156
Exploration and evaluation expenditure ¹	57,925,433
Other financial assets	1,034,458
	<u>59,329,430</u>
TOTAL ASSETS	<u>59,617,782</u>
<u>CURRENT LIABILITIES</u>	
Trade and other payables	1,158,367
Provisions	86,796
	<u>1,245,163</u>
<u>NON-CURRENT LIABILITIES</u>	
Deferred tax liabilities	10,166,899
Provisions	10,000
	<u>10,176,899</u>
TOTAL LIABILITIES	<u>11,422,062</u>
NET ASSETS	<u>48,195,720</u>
<u>EQUITY</u>	
Issued capital	72,899,979
Reserves	13,182,025
Accumulated losses	<u>(38,186,378)</u>
Parent entity interest	47,895,626
Non-controlling interest	300,094
TOTAL EQUITY	<u>48,195,720</u>

¹ Exploration and evaluation represents capitalised expenditure incurred in relation to each of the Company's mining areas of interest, for which rights of tenure are current. These costs are capitalised in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied:

- (i) the right to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met;
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Recoverability of the carrying amount of exploration costs is dependent on the successful exploration and sale of CBM by the Company.

7. VALUATION METHODOLOGIES

7.1 Selection of Methodology

7.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to NGY shares.

7.1.2 In assessing the value of NGY we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
- Discounted Cash Flow: the net present value of future cash flows;
- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets;
- Comparable Market Transactions: the identification of comparable sale transactions.

We consider each of these valuation methodologies below.

7.1.3 *Market Value of Shares as Quoted on the ASX*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

Any assessment of the market value of the quoted equities needs to consider the following:

- The liquidity of the quoted equity based on the volume and frequency of trading;
- The number of ‘unusual’ and/or ‘abnormal’ trades that occur; and
- The timing and level of dissemination of information to the market.

If a quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the ‘fair’ market value of the quoted ordinary equity.

A premium may also need to be applied to the value of the quoted ordinary equity to determine the value of the equity holding in the circumstances where a party is acquiring or increasing a controlling equity position.

We consider that adopting a market value of shares methodology to determine an indicative value of NGY is appropriate as it reflects all publicly available information on the company and therefore we believe it is a reliable reflection of the current value of NGY shares.

Although the liquidity of the market for NGY shares is less than ideal to assess the market value of the quoted equity, the alternative methods are less appropriate given the

Company has been trading at a loss for a number of years and their exploration assets are in their early stages and have not been subject to an independent industry expert valuation.

7.1.4 Capitalisation of Future Maintainable Earnings

Under the earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiplier of earnings. The multiple is a coefficient, representing the risk that the business may not achieve projected earnings.

This method is appropriate in valuing a business when there is a history of earnings, the business is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

NGY has incurred net losses in prior years therefore the earnings based method is not appropriate for the valuation of NGY.

7.1.5 Discounted Cash Flow – Net Present Value

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flows that will be generated from the business over its life. The cash flows are discounted to reflect the time value of money and the risk involved with achieving the forecast cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value of the business.

Although the discounted cash flow approach relies on the availability of long-term earnings and cash flow forecasts, it is particularly suited to situations where cash flows are not stable or where significant cash outflows will be incurred prior to cash inflows being earned. The forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operational cycle for more cyclical industries.

NGY has not prepared long-term forecast future cash flows on which a valuation can be based. Given the stage of operations of the company there is insufficient reasonable grounds on which to base long term forecasts. Therefore the use of the discounted cash flow method has not been selected for NGY.

7.1.6 Realisation of Assets

The net assets or cost based approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity. The net asset value is determined by marking every asset and liability on and off the company's balance sheet to current market values.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital. It is often used as a cross check to assess the relative riskiness of the business.

NGY comprises assets that are in their early stages of exploration and development with no historical earnings. Their value may change significantly as exploration and evaluation activities progress. The Company has determined at this time that it is not necessary or appropriate to conduct a valuation of the exploration assets due to the early stage of exploration and accordingly have not engaged a geological expert to conduct such a valuation. This method is therefore not appropriate for the valuation of NGY.

7.1.7 Comparable Market Transactions

This methodology involves the identification of comparable sale transactions for a similar industry company or business to that being valued.

We have determined that this method is not considered appropriate for valuing NGY considering its stage of operations.

We are also not aware of any alternative offers or transactions for the acquisition of the shares in NGY.

7.2 Premium for Control

7.2.1 When considering transactions involving a substantial equity holding of a company, it is appropriate to address whether a premium for control should attach to the transaction. A premium for control is the difference between the price for each share that a buyer would be prepared to pay to obtain a controlling interest in a company and the price per share that would be required to purchase a share that does not carry with it a controlling interest. In most cases, the value of a controlling interest in the shares in a company significantly exceeds the listed market value of the shares. This reflects the fact that:

- a) the owner of a controlling interest in the shares in a company obtains access to all free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder;
- b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds;
- c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company;
- d) the entity taking over the company is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

7.2.2 Our experience suggests that the premium for control (over and above the market price of the Company's shares) ranges, on average, between 20% and 35%. However, the appropriate premium for control depends on the specific circumstances and, in particular, the level of synergy benefits able to be extracted by potential acquirers and the degree of confidence about the level and achievability of potential synergies and their timing.

7.2.3 The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply an

average premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through a raising.

- 7.2.4 A shareholder or group of associated shareholders are deemed to influence a company when they have control of more than 20% of the issued shares in a company. At this time a premium for control should normally be considered.
- 7.2.5 A premium for control is relevant to the Transaction, as it will result in NCE and GER collectively owning approximately 55.4% of the shareholding in NGY.
- 7.2.6 For the reasons detailed above, we have determined that the change in the level of ownership is sufficient in the proposed Transaction to require a premium for control to be included when valuing the NGY shares.
- 7.2.7 We have applied a premium for control of **20%** to the traded value of NGY shares based on the following:
 - a) NCE and GER shareholders will obtain control of NGY and shareholders may not have a future opportunity to obtain a premium from the sale of their shares;
 - b) NCE shareholders will obtain board representation, significantly influence the appointment of directors, management policy and the strategic direction of NGY; and
 - c) NCE and GER shareholders will obtain control of free cash flows of NGY, decision making regarding the acquisition and disposal of assets and the redeployment of the proceeds.
 - d) However, the premium for control has been limited to 20% based on the following:
 - i. The liquidity of NGY shares has been extremely low, with only 10% of shares on issue traded in the last 12 months. Considering the effect low liquidity may have on the NGY share value, we believe that a premium for control above 20% may overstate the value that a potential investor is willing to pay to obtain a controlling interest in the Company; and
 - ii. NGY has incurred significant losses in prior years of operation and its assets are not yet producing any income.

7.3 Minority Interest Discount

- 7.3.1 The value of a minority shareholding is subject to a discount factor as the minority shareholder is not in a position to direct, and often not in a position to influence, the distribution of dividends, the investment of retained profits or the strategy and tactics of the company's operations.
- 7.3.2 When the Transaction is approved and completed, NGY's existing Non-Associated Shareholders voting interest will decrease from 100% (prior to the Initial Placement) to 44.6%. Following from the assessed control premium of 20%, we have discounted the post-Transaction value per share on a control basis by **17%** to arrive at a post-Transaction value on a minority basis. We believe this discount is reasonable after considering the following factors:

- a) NGY is a listed public company where the shares held by Non-Associated shareholders are still able to be traded in an open market;
- b) The assets currently held by NGY that Non-Associated shareholders are losing control of; and
- c) The assessment of advantages and disadvantages associated with NGY entering into the Transaction as detailed at section 9.

8. VALUE OF NGY

8.1 General

8.1.1 This section sets out our assessment of the underlying value of NGY shareholdings.

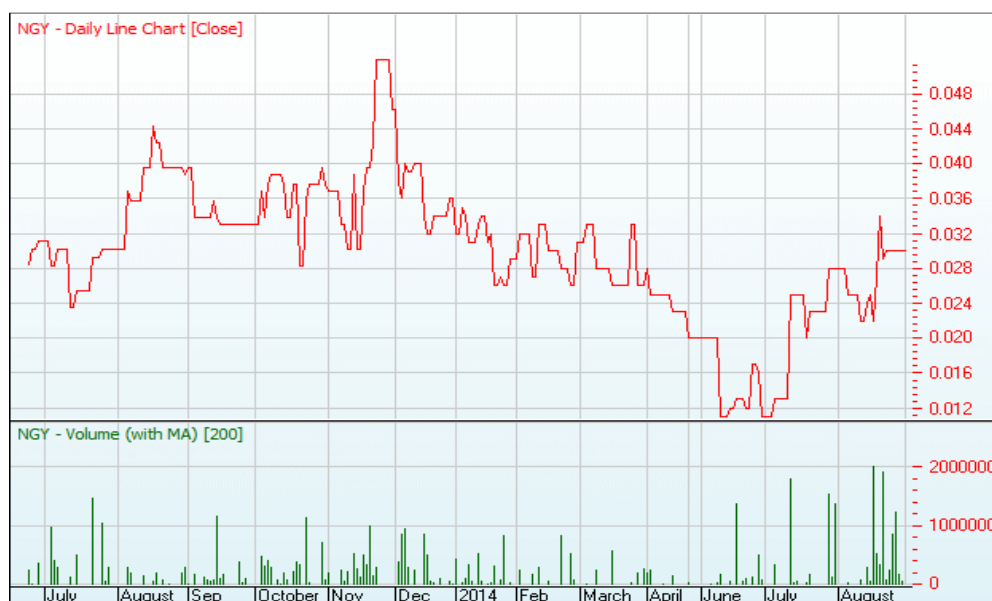
8.1.2 We have selected the market value of shares as the valuation methodologies for NGY as detailed in section 7.

8.1.3 Due to the early stage of exploration of all assets held by NGY and its trading losses to-date, no secondary valuation approach is appropriate for NGY.

8.2 Market Value of Shares

8.2.1 In our opinion the value of NGY for the purpose of the Transaction should be examined on the basis of the current market value of the shares listed on the ASX. The market value of the shares listed on the ASX reflects all publicly available information on the company and therefore we believe it is a reliable reflection of the current value of the Company.

8.2.2 Following is a graph of the trading of NGY shares over the last twelve months:



8.2.3 The table below sets out the movement of NGY share prices and trading up to and including the date of entering into the Agreement on 10 July 2014:

	Low \$	High \$	VWAP ¹	Volume
1 month	0.011	0.020	0.014	2,957,060
2 months	0.011	0.020	0.014	3,080,560
3 months	0.011	0.024	0.014	3,235,670
6 months	0.011	0.035	0.024	9,508,620
12 months	0.011	0.055	0.033	31,598,820

(1) The VWAP was calculated using the total value of all transactions divided by the total trading volume in the time period considered.

- 8.2.4 On the date of the announcement of the Agreement on 11 July 2014, NGY shares increased from \$0.013 to \$0.025. Subsequent to the announcement of the Agreement NGY shares have traded at a VWAP of \$0.028 per share.
- 8.2.5 We are of the opinion that the announcement of the Agreement has affected the NGY share price. We have therefore used the share trading information one month up to and including 10 July 2014 as the basis for our valuation.
- 8.2.6 We conclude that the value of the NGY shares under the market value approach for the purpose of this report is in the range of \$0.011 to \$0.017, with a VWAP of \$0.014 per share, being the VWAP in the month prior to the announcement of the Agreement.
- 8.2.7 We note this valuation is on a portfolio basis and does not reflect a premium for control. We have assessed the premium for control in Section 7.2 at 20% and have considered the low liquidity of NGY shares in determining this premium.
- 8.2.8 Inclusive of a 20% premium for control, the value of the NGY shares under the market value approach for the purpose of this report is between \$0.013 and \$0.020 per share, with a midpoint of **\$0.017 per share.**

9. ADVANTAGES & DISADVANTAGES OF THE TRANSACTION

9.1 Approach to assessing Fairness and Reasonableness

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

9.2 Advantages of the Transaction

- 9.2.1 The funds from the Secondary Placement will assist with meeting NGY's Indonesian PSC commitments, pilot development programmes, further acquisitions and exploration and development. The application of these funds may provide an opportunity for NGY shareholders to experience growth in the value of NGY shares.
- 9.2.2 If the Company does not obtain the NCE and GER funds from the Secondary Placement it may not be able to meet expenditure requirements and therefore forfeit ownership of the PSC's, which it has invested substantial capital in attempting to commercialise.
- 9.2.3 If the Transaction is not approved by Shareholders, then the Secondary Placement Shares will not be issued to NCE and GER respectively. Consequently NGY will have insufficient funds to operate its core business of developing the Indonesian PSCs in the short-medium term and will be required to seek alternative funding to be able to do so. NGY has spent twelve months seeking a proposal and we are advised the current Transaction is the best deal offered to shareholders.
- 9.2.4 There will be no change in the primary operations of NGY, with its core PSCs in South Sumatra continuing.
- 9.2.5 The Transaction will result in an increase in NGY's market capitalisation and provide an opportunity for NGY to create shareholder value.
- 9.2.6 The Transaction and resulting increase in market capitalisation has the potential to improve liquidity in shares increasing ease of trading.
- 9.2.7 The Transaction is being undertaken at a premium to recent NGY share prices.
- 9.2.8 Considering the increase in the share price that occurred after the announcement of the Transaction, the NGY share price is likely to fall in the event the Transaction is not approved.
- 9.2.9 The NGY Board are of the opinion that the Transaction is in the best interests of the Company's Shareholders and in the absence of a superior alternative proposal is a strategic opportunity for the Company.

9.3 Disadvantages of the Transaction

- 9.3.1 An opportunity may be lost to obtain a takeover premium for the company's shares unless NCE and GER sold their interest in NGY or subscribed for a 100% interest.

- 9.3.2 The Transaction will result in the dilution of current shareholders ownership percentages from 100% (prior to the Initial Placement) to 44.6%.
- 9.3.3 The Transaction will result in a loss of control of the Board of Directors. If the Transaction is approved NCE and its nominees will control three of the four Board positions and the appointment of a new Chairman.

10. CONCLUSION AS TO FAIRNESS AND REASONABLENESS

10.1 Fairness

For the Transaction to be fair, the value of the consideration being paid by NCE and GER must be equal to or greater than the value of the NGY ordinary shares to be issued to NCE.

Based on the analysis contained in this report, the indicative value of the NGY shares for the purpose of this report is between \$0.013 and \$0.020 per share, with a midpoint of **\$0.017 per share**, inclusive of a 20% premium for control.

The consideration being paid by NCE and GER for the ordinary shares in NGY is **\$0.03** per share.

Therefore, based on a comparison of the value attributed to NGY shares and the consideration to be paid by NCE and GER, in our opinion the Transaction is fair.

10.2 Reasonableness

ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

We have concluded that the Transaction is fair and therefore also reasonable. In forming our opinion we have also considered the following relevant factors.

- The funds from the Secondary Placement will assist with meeting NGY's Indonesian PSC commitments, pilot development programmes, further acquisitions and exploration and development. The application of these funds may provide an opportunity for NGY shareholders to experience growth in the value of NGY shares.
- If the Company does not obtain the NCE and GER funds from the Secondary Placement it may not be able to meet expenditure requirements and therefore forfeit ownership of the PSC's, which it has invested substantial capital in attempting to commercialise.
- If the Transaction is not approved by Shareholders, then the Secondary Placement Shares will not be issued to NCE and GER respectively. Consequently NGY will have insufficient funds to operate its core business of developing the Indonesian PSCs in the short-medium term and will be required to seek alternative funding to be able to do so. It has spent twelve months seeking a proposal and we are advised the current Transaction is the best deal offered to shareholders.
- There will be no change in the primary operations of NGY, with its core PSCs in South Sumatra continuing. The secondary focus in Indonesia will be completing a farm out transaction for the Rengat PSC.

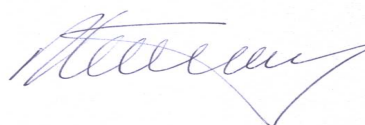
- The Transaction will result in an increase in NGY's market capitalisation and provide an opportunity for NGY to create shareholder value.
- The Transaction and resulting increase in market capitalisation has the potential to improve liquidity in shares increasing ease of trading.
- The Transaction is being undertaken at a premium to recent share prices.
- Considering the increase in the share price that occurred after the announcement of the Transaction, the NGY share price is likely to fall in the event the Transaction is not approved.
- The NGY Board are of the opinion that the Transaction is in the best interests of the Company's Shareholders and in the absence of a superior alternative proposal is a strategic opportunity for the Company.

Accordingly, in our opinion, having considered the advantages of the Transaction and the alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of NGY should benefit if the Transaction proceeds and therefore, in our opinion, the Transaction is reasonable.

Yours faithfully
Hall Chadwick Corporate (NSW) Limited



DREW TOWNSEND



DAVID KENNEY

APPENDIX I - SOURCES OF INFORMATION

- NuEnergy Gas Limited Audited Financial Report for the years ended 30 June 2013 and 30 June 2014;
- NuEnergy Gas Limited Reviewed Financial Report for the half year ended 31 December, 2013;
- NuEnergy Gas Limited Notice of General Meeting and Explanatory Memorandum;
- Investment Agreement between NGY and NCE dated 10 July 2014 and Deed of Amendment and Restatement dated 18 August 2014;
- NGY Company registry details;
- NGY share trading history;
- Publicly available information on NGY, including media releases, ASX announcements and websites;
- S&P Capital IQ market data;
- Regulatory Guide 74 ‘Acquisitions Agreed to by Shareholders’;
- Regulatory Guide 111 ‘Content of Expert Reports’;
- Regulatory Guide 112 ‘Independence of Expert’s Reports’; and
- APES 225 ‘Valuation Services’.

APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to NGY and NCE with reference to ASIC Regulatory Guide 112 (RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of NGY and NCE.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with NGY or NCE, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend and Mr David Kenney, directors of Hall Chadwick Corporate (NSW) Limited, who are registered company auditors, have prepared this report. Neither they nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of this Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of NGY for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of NGY have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by NGY and NCE as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base our report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards. HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

NGY has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by NGY to HCC in preparation of this report.

Qualifications

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC's representatives are therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of NGY. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to NGY shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC's opinion as to whether or not the Proposed Transaction is fair and reasonable. HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to NGY shareholders.

Shareholders should read all documents issued by NGY that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these documents, with the exception of our report.

This report has been prepared specifically for the Non-Associated Shareholders of NGY. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than an Non-Associated Shareholder of NGY, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

APPENDIX III - FINANCIAL SERVICES GUIDE

Dated 17 September 2014

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (HCC).

This FSG includes information about:

- HCC and how they can be contacted
- the services HCC is authorised to provide
- how HCC are paid
- any relevant associations or relationships of HCC
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of dealing in the particular financial product.

Financial services that HCC is authorised to provide

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

HCC's responsibility to you

HCC has been engaged by the independent directors of NuEnergy Gas Limited ("NGY" or the "Client") to provide general financial product advice in the form of a Report to be included in the Notice of Meeting (Document) prepared by NGY in relation to the proposed issue of shares by NGY (the "Transaction").

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Document. HCC nor the employees of HCC are acting for any person other than the Client.

HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As HCC has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees HCC may receive

HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay HCC \$17,500 (excluding GST and out of pocket expenses) for preparing the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive a salary or a partnership distribution from Hall Chadwick Sydney professional advisory and accounting practice (the Hall Chadwick Sydney Partnership). Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr Drew Townsend and Mr David Kenney, directors of HCC and partners in the Hall Chadwick Sydney Partnership, have prepared this report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (HC entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

HC entities have provided, and continue to provide, a range of audit, tax and advisory services to the Client for which professional fees are received. Over the past two years no professional fees have been received from the Client.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of the Client or has other material financial interests in the Transaction.

Complaints resolution

If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:
The Complaints Officer
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Drew Townsend, on 02 9263 2600 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing,

External complaints resolution process

If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Financial Ombudsman Service Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 06
Facsimile (03) 9613 6399
Email: info@fos.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact HCC at:
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001
Telephone: 02 9263 2600
Facsimile: 02 9263 2800



NuEnergy Gas Limited

ABN 50 009 126 238

LODGE YOUR VOTE



ONLINE >

www.linkmarketservices.com.au



By mail:
NuEnergy Gas Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1300 554 474

PROXY FORM

I/We being a member(s) of NuEnergy Gas Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐

the Chairman
of the Meeting
(mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy.

Failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to vote on my/our behalf (including in accordance with the directions set out below or, if no directions have been given, to vote as the proxy sees fit, to the extent permitted by the law) at the Annual General Meeting of the Company to be held at 11:00am (Sydney time) on Friday, 31 October 2014 at the offices of KPMG, Level 15, 10 Shelley Street, Sydney NSW 2000 (the Meeting) and at any postponement or adjournment of the Meeting.

I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒.

STEP 2

VOTING DIRECTIONS

	For	Against	Abstain*		For	Against	Abstain*
Resolution 1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 6 Approval of acquisition of Relevant Interests in Shares by the NCE Parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Election of Director - Mr Kee Yong Wah	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 7 Approval of acquisition of Relevant Interests in Shares by the GER Parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Election of Director - Mr Kong Kok Keong	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 8 Approval of issue of Equity Securities for the purpose of ASX Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Retirement by Rotation and Re-Election of Director - Mr Graeme Robertson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 9 Appointment of Director - Mr Dato Sri Dr Goh Tian Chuan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Approval of Share issue to NCE and GER	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 10 Approval of Share issue for the purpose of Listing Rule 7.4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, all shareholders must sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

NGY PRX401R



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the Meeting.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all shareholders must sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (Sydney time) on Wednesday, 29 October 2014**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE > www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



by mail:

NuEnergy Gas Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.

If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.